


UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD AND NUTRITION SERVICE
ALEXANDRIA, VA 22302-1500

CHANGE TRANSMITTAL	
CHANGE NUMBER: 2	DIRECTIVE IDENTIFICATION AND NUMBER: FNS Handbook 501
DIRECTIVE TITLE: The Food Distribution Program on Indian Reservations	

This Change reflects revisions to the handbook regarding the Medicare Part D Prescription Drug Coverage premium.

PAGE CONTROL CHART

Remove Pages	Dated	Insert Pages	Dated
3-18	8/2005	3-18	3/2006
4-15	8/2005	4-15	3/2006
4-19	8/2005	4-19	3/2006



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Attachments

DISTRIBUTION: AD, F2, I	MANUAL MAINTENANCE INSTRUCTIONS: Retain and file Change Transmittal in front of directive until further notice. Remove and insert page(s) if applicable.	OPI: FDD-200	
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(3539A)

2. The amount of the obligation; and
3. The monthly amount of child support the household actually pays.

A court order or similar documentation may be used to verify the household member's legal obligation to pay the child support, but it can not be used to verify the household's actual monthly child support payments. Since some non-custodial parents fail to fully meet their court-ordered obligation each month, it is necessary that the ITO/State agency obtain documentation, such as canceled checks or money order receipts, that verifies the amount of monthly child support actually paid by the household.

In many cases, the amount of child support paid may fluctuate each month. In such instances, the ITO/State agency should average the payments. For example: Mr. Smith is legally obligated to pay \$350 in child support each month. In December, he paid \$350; in January, he paid \$250; in February, he paid \$400; and in March he paid \$300. If you average the total amount of child support paid from December-March ($\$1300 \div 4$ months), you get an average of \$325, which would be the amount used for the income deduction. The purpose of averaging is to use a history of payments to establish an anticipated pattern of payment for a future period of time (i.e., the upcoming certification period). Therefore, it is not necessary that the number of months used in the averaging process equal the number of months of the assigned certification period.

B. Medicare Part B Medical Insurance and Part D Prescription Drug Coverage Premiums - The ITO/State agency must obtain verification that a household member incurs the cost of the Medicare Part B and Part D premiums. NOTE: Persons younger than 65-years old may be eligible for Medicare (e.g., persons with chronic kidney disease or other disabilities).

1. In most cases, the amount of the Part B premium is withheld from a monthly Social Security, Civil Service Retirement, or Railroad Retirement Board payments. Documentation could include a benefit summary statement for the current year (e.g., the SSA-4926-SM provided to Social Security beneficiaries). However, some individuals make quarterly payments directly to Medicare. Documentation in these cases could include canceled checks, money order receipts, or other receipts showing payment for the current year. NOTE: Quarterly payments must be averaged over the 3-month payment period to determine a monthly premium amount for the income deduction.
2. Individuals required to pay the Part D premium can choose to 1) have the premium withheld from his/her Social Security benefits; 2) have the premium deducted automatically from his/her bank account; or 3) pay the premium each month by check or money order. Therefore, documentation could include the Social Security benefit summary statement for the current year, bank statements, canceled checks, money order receipts, or other receipts showing current premium payments.

3540 NONCOOPERATION OF A DISQUALIFIED MEMBER OF THE HOUSEHOLD

If a disqualified member of the household refuses to provide information needed to certify the remaining members, alternate methods of verification should be used. For example, if the disqualified member refuses to provide income information, a collateral contact may be used. The ITO/State agency may also, if no other means of verification are available, base the income on the best available information. (See paragraph 4730, below, for further information on determining eligibility and benefit levels for households with disqualified members.)

4552 Dependent Care

Payments for the actual cost of care for a child or other dependent when necessary for a household member to search for, accept, or continue employment or to attend training or pursue education that is preparatory to employment. This deduction must not exceed the maximum allowable deduction for dependent care costs allowable under the Food Stamp Program in the forty-eight States and the District of Columbia. The allowable dependent care cost per dependent is provided in Exhibit M of this handbook and will be updated as needed.

Dependent care expenses are only deductible if the service is provided by a non-household member and the household makes a money payment for the service. For example, a deduction is not allowed if another household member provides the care, or compensation for the care is provided in the form of an in-kind benefit such as food.

4553 Child Support

Legally required child support payments paid by a household member to or for a nonhousehold member, including payments made to a third party on behalf of the nonhousehold member (vendor payments). The ITO/State agency must allow a deduction for amounts paid towards overdue child support (arrearages). Alimony payments made to or for a nonhousehold member can not be included in the child support deduction. See paragraph 3539A, above, on verification requirements for the child support deduction.

4554 Medicare Part B Medical Insurance and Part D Prescription Drug Coverage Premiums

- A. The full amount of the Medicare Part B Medical Insurance premium that is withheld from the monthly Federal retirement or disability payment of a household member, or is paid by a household member directly to Medicare. The amount of the Part B premium is adjusted January 1 of each year by Medicare. The current Part B premium amount is available at http://questions.medicare.gov/cgi-bin/medicare.cfg/php/enduser/std_alp.php.
- B. The monthly amount of the Medicare Part D Prescription Drug Coverage premium paid by the household member. The Part D premiums will vary based on the plan selected by the household member. Most Food Distribution Program recipients will pay no premium because of their low incomes.
- C. An income deduction for the Part B or Part D premiums is not allowed in situations where the household member is not required to pay a premium. In some instances, the premiums are paid on behalf of the Medicare beneficiary. Also, a household member may not be a Medicare beneficiary because they receive their health care through the Indian Health Service.
- D. See paragraph 3539B, above, on verification requirements for the Medicare Part B and Part D premiums.

4640 CALCULATION OF NET MONTHLY INCOME

The following steps lead to the determination of a household's net monthly income. See paragraphs 4710 and 4720, below, for more details on determining monthly income for households with student financial assistance or self-employment income.

- A. Total Gross Earned Income. Add together the gross monthly income earned by all household members to determine the household's total gross earned income.
- B. Total Self-Employment Income. If applicable, add together the self-employment income (as calculated at paragraph 4727, below) from the various enterprises engaged in by all household members to determine the household's total self-employment income.
- C. Total Gross Earned and Self-Employment Income. Add together the total gross earned income from 4640A, above, and the total self employment income from 4640B, above.
- D. Net Monthly Earned Income. Subtract 20 percent from the total amount from 4640C, above, to determine the net monthly earned income.
- E. Unearned Income. Add to net monthly earned income (4640D), the total monthly unearned income of all household members, minus income exclusions allowed under paragraph 4540, above.
- F. Student Financial Assistance. If applicable, add the average monthly student financial assistance (as calculated at paragraph 4711, below).
- G. Other Allowable Deductions. Subtract allowable monthly expenses for dependent care, child support, and Medicare Part B Medical Insurance and Part D Prescription Drug Coverage premiums, if applicable.